UNITED
NATIONS

DP

Governing Council
of the
United Nations
Development Programme

Distr.
GENERAL

DP/CP/MAT/5
21 December 1992

ORIGINAL: ENGLISH

Special session
16-19 February 1993, New York
Item 5 (a) of the provisional agenda

PROGRAMME PLANNING AND IMPLEMENTATION

Country programmes and projects

FIFTH COUNTRY PROGRAMME FOR MALTA

Programme period	Resources	$
1993-1996	Net IPF	715 492
	Cost-sharing (Programme and project)	180 000
	Total	895 492

CONTENTS

		Paragraphs	Page
I.	DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES	1 - 7	2
	A. Current socio-economic situation	1 - 6	2
	B. National development objectives and strategies ...	7	3
II.	EXTERNAL COOPERATION	8 - 11	4
	A. Role of external cooperation	8 - 9	4
	B. Aid coordination arrangements	10 - 11	5
III.	THE COUNTRY PROGRAMME	12 - 19	6
	A. Assessment of ongoing country programme	12 - 13	6
	B. Proposals for UNDP cooperation	14 - 17	6
	1. Preparatory process	14	6
	2. Strategy for UNDP cooperation	15	7
	3. Proposed UNDP cooperation in selected areas of concentration	16 - 17	7
	C. Assistance outside main country programme areas ..	18	8
	D. Implementation and management arrangements	19	9

Annexes

I.	Financial summary	10
II.	Programme matrix	12

92-83520 4457a (E) 150193 15/01/93

/...

I. DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES

A. Current socio-economic situation

1. During the fourth cycle (1987-1992), the Maltese economy made significant advances despite its vulnerability from the prevailing austere international economic environment. These advances contributed towards a noticeable improvement in the level of the country's human development. In fact, the Human Development Report 1991 assigned Malta a human development index of 0.917, placing it in 29th position among the countries surveyed. Although various factors contributed to this, it is particularly worth noting that life expectancy at birth for the Maltese population was, in 1990, estimated at 73.7 years for males and 78.1 years for females, while the adult literacy rate was over 95 per cent. The number of students in the country's educational institutions increased from 81,700 in 1987 to 88,500 in 1990.

2. Real gross domestic product (GDP) at factor cost increased from approximately $603.4 million in 1988 to $1,111 million in 1991, involving an average annual growth rate of 6.7 per cent. This expansion actually reflected a higher level of employment, a continuing upward trend in industrial production and low inflation. The services sector performed well with an ongoing positive performance by the tourism industry and the development of new activities, such as offshore business and the transshipment trade.

3. The expansion witnessed in the labour market during the period under review was the outcome of both a higher participation rate and additional job creation in the productive sectors of the economy. Between 1988 and 1991, the labour supply increased by 4.3 per cent while the gainfully occupied population increased by 4.7 per cent. The number of female employees in 1991 accounted for 26.3 per cent of the gainfully occupied population, compared to 25.3 per cent in 1987. The unemployment rate in 1991 was 3.6 per cent of the labour supply, which compared favourably with the 9.2 per cent estimated European Community average for 1991. Nevertheless, despite this overall encouraging labour performance, the public sector complement of the market remains unacceptably high. Although the total share of public sector employment has been declining gradually over the years under review, reaching 42.5 per cent of the gainfully occupied population in 1991 from 45.4 per cent in 1988, the total public sector labour population at the end of 1991 was approximately 3.3 per cent higher than that for 1988.

4. The most significant contribution to GDP during the period under review was from the manufacturing sector, including the ship repairing and ship building subsectors. In 1991, this contribution amounted to 26.8 per cent of GDP and the gross output of the sector increased from $1,187 million in 1988 to $1,801 million in 1991, an overall increase of 50.2 per cent.

5. In the services sector, the lead performer is tourism and, indeed, the contribution of this industry to GDP has now become even more important. During 1991, despite an initial setback as a result of the Gulf crisis, tourist arrivals reached a record high of 892,547, an increase of 9.6 per cent

over arrivals during 1987. Moreover, gross earnings from tourism during 1991 increased by 11.3 per cent over those for the previous year while per capita gross earnings increased by 8.8 per cent. However, a greater effort is required to achieve a better seasonal distribution of tourist arrivals. Tourism is still heavily dependent on the United Kingdom market (51.3 per cent in 1991 compared to 59.9 per cent in 1987) and concentrated in the July-September quarter (38 per cent in 1991 compared to 39.1 per cent in 1988). One negative effect of tourism has been its impact on the environment since local waste disposal and control systems are inadequate. The Government is aware that greater attention must be placed on strengthening its capacity in local planning. Towards this end, new ordinances have recently been enacted for the Maltese islands. To oversee this, a new planning authority is being established, which assumes overall responsibility for planning as of 1 December 1992.

6. During the past five years, the services sector assumed other important activities as a result of the setting up of the Malta International Business Authority, responsible for the promotion of offshore business activities, and of the Malta Freeport Corporation, set up to promote transshipment and other freeport activities. Positive results have already been achieved. One subsidiary established by the Corporation, responsible for the operation of a container terminal, increased its throughput of transshipment containers from 8,080 TEUs in 1989 to 157,631 TEUs in 1991 and further growth is envisaged for 1992.

B. National development objectives and strategies

7. In the general election of February 1992, the Government was re-elected and the national development objectives and strategies for the next five years were outlined in the address by the President of Malta at the opening of the new Parliament. The following are the key priorities listed in the address:

(a) Membership in the European Community. Preparations for this will intensify to bring both the public and private sectors up to acceptable standards;

(b) Reform of the public service. This will be intensified, emphasizing the reorganization of top management structures in all government departments, the introduction of performance contracts and performance-related compensation for senior civil servants, the reclassification of professional, technical and general service grades, and the reform of health services;

(c) Labour and employment initiatives. Attention will be paid to the protection of workers' health and safety at work, the status of part-time workers, most of whom are females, and worker-managed enterprises, such as cooperatives;

(d) Social policy. New legislation is planned for the protection of the family and a Family Court will be set up. In the health sector, emphasis will

continue to be laid on preventive education, with greater investment in health education, particularly where food and drink, the spread of diseases such as AIDS and practices such as smoking are concerned. Emphasis will also continue to be placed on the development of primary health care and on improving mental health care;

(e) Trade liberalization. Efforts will continue with the objective of ending the monopolies that still exist;

(f) Tourism. The country is close to reaching its maximum tourist capacity, especially during summer, and the objective is now increasingly to improve the quality of service, to maximize economic returns and to achieve better market diversification and seasonal spread of arrivals;

(g) Infrastructural development. Particular attention is to be given to the improvement of the road network, both through the development of new road projects and the rehabilitation of existing roads, maintenance of which has been neglected for some time.

II. EXTERNAL COOPERATION

A. Role of external cooperation

8. The two major ongoing cooperation programmes are under protocols with the European Community and with Italy. The first of these, for the five-year period 1989-1993, provide for an European Investment Bank (EIB) loan of $28.4 million, 1/ $12.3 million have so far been programmed on a water desalination project, and for a grant of $12.9 million to be used for financing capital projects. A significant portion of this grant has been allocated to procure equipment required for combating oil pollution at sea and for upgrading a national standards laboratory. The Italian-Maltese Protocol, for the period 1990-1994, provides for a grant of $108 million as commodity/budgetary aid and for a further amount of $95.7 million for the funding of capital projects. Of the latter amount, approximately 60 per cent has been made available as a grant to fund a solid waste recycling project and for the further development of Malta Freeport. As total capital expenditure of the Government of Malta for 1991 amounted to approximately $356.7 million, the impact of these two financial Protocols on Malta's budget is, therefore, significant.

9. Over the past five years, UNDP continued to provide one of the most relevant technical cooperation programmes. Also important were the Commonwealth Fund for Technical Cooperation (CFTC) and programmes of a bilateral nature, including those with the United Kingdom and Japan. The

---

1/ ECU = $0.81.

Government is making a significant contribution towards international technical cooperation through the hosting and partial funding of a number of international organizations engaged in technical cooperation activities. These include the Regional Marine Pollution Emergency Response Centre for the Mediterranean Sea (REMPEC), a joint venture with the International Maritime Organization (IMO) and the United Nations Environment Programme (UNEP), the IMO International Maritime Law Institute and the International Institute on Aging (INIA). A significant part of the international training programmes provided by INIA since its formation in 1988 have been funded under a UNDP project, with budgetary inputs from its indicative planning figure (IPF) as well as from regional and interregional funds, and under two UNFPA-funded projects.

B. Aid coordination arrangements

10. The two main governmental organizations responsible for aid coordination are the Ministry of Finance and the Office of the Prime Minister. The former coordinates activities linked to the implementation of the ongoing Financial Protocols with the European Community and Italy. These Protocols mainly provide commodity/budgetary aid and capital assistance and technical cooperation constitutes a very small component of them. Policy issues related to the European Community are handled by a Cabinet Committee on Relations with the European Community chaired by the Prime Minister. The European Community Directorate within the Ministry of Foreign Affairs coordinates European Community-related matters and works with the relevant sectoral ministries, which manage their own individual programmes. The Government intends to establish some new institutions to handle specific European Community-related topics, e.g., a new office to introduce the value added tax (VAT).

11. The coordination of technical cooperation activities is the responsibility of the Office of the Prime Minister. This office is directly responsible for the management of UNDP-funded activities and, in the absence of a UNDP office, an ongoing liaison is maintained with UNDP headquarters. The substantive government departments are entrusted with the management and coordination of specific programmes of technical cooperation with United Nations specialized agencies (e.g., the World Health Organization (WHO), the Food and Agriculture Organization of the United Nations, (FAO) and the International Telecommunication Union (ITU)) but the Office of the Prime Minister provides overall coordination of these activities to avoid duplication. With regard to other multilateral and bilateral programmes of technical cooperation, the day-to-day liaison is handled by the Ministry of Foreign Affairs with the determination of priorities and coordination being the responsibility of the Office of the Prime Minister with close contact between them to maximize the benefits of the resources available.

III. THE COUNTRY PROGRAMME

A. Assessment of ongoing country programme

12. While UNDP-supported activities during the latter part of the fourth cycle declined with the reduction of IPF resources, a number of projects during the first four years of the cycle had a major economic impact. These included the preparation of a master plan for the development of tourism and another master plan for the development of telecommunications. The telecommunications master plan had already been largely implemented and the country now has a modern fully digital telephone system. In both these cases, the ability of the executing agencies to muster teams of experts in various disciplines to draw up comprehensive plans, within a very restricted time-frame, underlines one of the main comparative advantages of UNDP-funded technical cooperation.

13. The UNDP programme has, particularly through three specific projects, made a significant contribution towards national capacity-building. One has strengthened management development at the Malta Development Corporation, a national organization entrusted with responsibility for the promotion of new investments, another, executed by the International Trade Centre (ITC), provided a wide range of specialized expertise to a newly established export-promotion organization, the Malta Export Trade Company Ltd., while the third sought to develop the capability of government institutions responsible for the maintenance of Government-owned electronic equipment, particularly in the medical field. The capacities that have been built have been generally well sustained but, especially in the case of electronic equipment maintenance, sustainability has suffered because of the relatively high rate of labour mobility, the result of a buoyant labour-market.

B. Proposals for UNDP cooperation

1. Preparatory process

14. In view of the limited IPF resources available for programming during the fifth cycle, the preparation of the country programme has been a straightforward process. Ideas on the possible shape of the programme were exchanged between the Government and UNDP during a UNDP mission to Malta in March 1992. These consultations were followed by the submission, in May 1992, of the advisory note, which has been duly noted in the preparation of this country programme. The preparatory process also involved an internal consultation process in the Office of the Prime Minister and, in view of the agreed focus for the programme, with the European Community Directorate of the Ministry of Foreign Affairs. The requirements elaborated by the Directorate, in turn, were determined following consultations with substantive government departments.

2. Strategy for UNDP cooperation

15. In determining the strategy for the effective use of UNDP assistance, in addition to taking account of the comparative advantage and specific mandates of UNDP, a major factor was the available IPF resources in the fifth cycle. It might be arguable that the allocation of most IPF funds to a single, focused project could reduce the overall impact of the programme; however, given the limited resources available, their distribution to several small-scale projects cannot be justified from an administrative viewpoint. In the circumstances, therefore, it is proposed that a large proportion of the IPF should be allocated to one area of concentration, preparation for regional economic integration, but with multiple activities all in support of this primary government objective over the next few years.

3. Proposed UNDP cooperation in selected areas of concentration

16. Given the intent of the Government to seek membership in the European Community at the earliest opportunity, the Government has drawn up a plan of action in relation to the legal, institutional, economic and social adjustments that will need to be carried out to facilitate the relevant transition process. The plan, in fact, outlines the required activities and proposes a time-frame for the implementation of the objectives outlined in section I.B above. With this objective, and in line with the proposed strategy for UNDP cooperation described in section III.B.2 above, the Government proposes to allocate a significant proportion of fifth cycle IPF resources ($580,000) for an umbrella project that would generally support the plan of action and, in particular, the following activities:

(a) Free movement of goods and taxation policy. This will involve the harmonization of indirect taxes, including the introduction of VAT; the extension of excise duties and the consequential harmonization of related legislation; the removal of protective barriers to the free movement of goods and the introduction of the Common Customs Tariff. UNDP cooperation will also include a study on the economic and social (e.g., distributional) impact of the introduction of VAT, and of the type of VAT system that should be adopted;

(b) Competition policy. This will involve the harmonization of existing legislation on competition with that of the European Community and the setting up of an organization which would, inter alia, act as a back-up to the European Community Commission in its investigatory and other powers for the control of unfair competition. UNDP will provide advisory services on the legislative changes required and on the set-up of the indicated organization as well as training opportunities for the staff of the new organization;

(c) Free movement of capital. Steps need to be taken to liberalize the movement of capital and to remove restrictions on interest rates. A prior assessment of the impact of such liberalization will need to be carried out and UNDP cooperation will contribute towards this assessment;

(d) Financial services. Existing banking and insurance legislation needs to be harmonized with that of the European Community and a study is needed, possibly with UNDP assistance, of the legal changes required;

(e) Statistical services. As Malta proposes to adopt the European Community system of collection of statistical information and eventually to comply with the statistical requirements of the European Community, an upgrading of the Central Office of Statistics is required. The total budgetary allocation required to meet this objective is estimated at $200,000, of which 50 per cent will be charged to the IPF, with the balance being cost-shared by the Government.

17. As a contribution to technical cooperation among developing countries (TCDC) and, in particular, towards South-East Cooperation in Europe, the Government proposes to contribute $50,000 as cost-sharing to this programme. These TCDC activities are intended to facilitate, through specially designed study tours, symposia and other means, the sharing of the Maltese experience of transition towards European Community membership with those countries of Central and Eastern Europe that may later be embarking on the same process.

C. Assistance outside main country programme areas

18. Three ongoing projects which became operational during the fourth cycle and have activities which will continue during the first years of the fifth cycle do not fall easily within the proposed new area of concentration. They are:

(a) Transfer of Knowledge through Expatriate Nationals - TOKTEN (MAT/89/003). This project has overcome the difficulties in setting up the local institutional framework and is now moving ahead. In addition to the approved UNDP budget of $100,000, the Government proposes to make a cost-sharing contribution of $30,000 to facilitate, in the context of a specific TOKTEN assignment, the training of diplomats from the newly independent States in Europe, a subject the Secretary-General has indicated is high on a list of priorities for the United Nations system;

(b) Computerization of the Department of Social Security (MAT/89/004). Most UNDP funding in this project was earmarked for the provision of the consultancy services required to set up a complex computerization system. However, the resources required were considerably in excess of the UNDP budget and were subsequentially made available by the Government, requiring a reprogramming of UNDP resources ($50,000) for training requirements;

(c) Assistance to the Management Systems Unit (MAT/90/001). This project, largely funded by the Management Development Programme, has approximately $32,000 of IPF resources reallocated to the fifth cycle.

D. Implementation and management arrangements

19. The Office of the Prime Minister will retain responsibility for the coordination and implementation of project activities to ensure that both government and programme objectives are achieved. As the small size of the programme does not justify retaining full-time professional staff to oversee its administrative requirements and as most UNDP resources will be allocated to one main area of concentration involving various disciplines, it is proposed that appropriate United Nations specialized agencies assist the Government during implementation.

Annex I

FINANCIAL SUMMARY

I. ESTIMATED RESOURCES (IPF + cost-sharing) TAKEN INTO ACCOUNT FOR PROGRAMMING

	$	$
Carry-over from fourth cycle IPF	492 000	
Estimated 1992 expenditures	(355 508)	
Fifth cycle IPF	579 000	
Subtotal IPF		715 492
Project cost-sharing (Government)	180 000	
Project cost-sharing (Third Party)	-	
Programme cost-sharing	-	
Subtotal cost-sharing		180 000
TOTAL		895 492

II. ALLOCATION OF RESOURCES (IPF + cost-sharing) BY AREA OF CONCENTRATION

Area of concentration	IPF	Cost-sharing	Total	Percentage of total resources
Economic policy/harmonization with EC	580 000	150 000	730 000	81.5
Subtotal	580 000	150 000	730 000	81.5
Outside the area of concentration	135 492	30 000	165 492	18.5
Unprogrammed reserve	-	-	-	-
TOTAL	715 492	180 000	895 492	100.0

/...

III. COMPLEMENTARY ASSISTANCE FROM OTHER SOURCES USED IN AREAS OF CONCENTRATION

	$
A. UNDP-administered funds	
SPR	100 000
UNCDF	-
UNSO	-
UNIFEM	-
UNRFNRE	-
UNFSTD	-
Subtotal	100 000
B. Other United Nations resources	
JCGP participating agencies	
UNFPA	-
UNICEF	-
WFP	-
IFAD	-
Other United Nations agencies (non-UNDP financed)	-
Global Environment Facility	-
Subtotal	-
Total non-core and other United Nations resources	-
C. Non-United Nations resources	-
TOTAL	100 000

Annex II

PROGRAMME MATRIX

Area of concentration	Area of focus*					
	Poverty eradication and grass-roots participation	Environment and natural resource management	Management development	TCDC	Transfer and adaptation of technology	WID
ECONOMIC POLICY/HARMONIZATION WITH THE EUROPEAN COMMUNITY			*	*	*	
OUTSIDE THE AREA OF CONCENTRATION						
INSTITUTIONAL SUPPORT			*	*	*	

* Asterisks indicate major linkage only.